

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
FY2016 (June 1, 2016 to May 31, 2017)
 Nine Months Ended February 28, 2017

Listing Stock exchange: The First Section of the Tokyo Stock Exchange
 Securities code number: 2168
 Representative: Yasuyuki Nambu, Group CEO and President
 For further information contact: Yuko Nakase, Managing Director and CFO
 Scheduled filing date of quarterly report: April 10, 2017
 Supplementary materials prepared for quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(All amounts are in millions of yen rounded down unless otherwise stated)

1. CONSOLIDATED BUSINESS RESULTS

(1) Consolidated Financial Results

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Loss attributable to owners of parent	
	Yen	%	Yen	%	Yen	%	Yen	%
Nine months ended February 28, 2017	205,480	5.7	1,877	(6.2)	1,798	(7.0)	(914)	—
Nine months ended February 29, 2016	194,430	14.9	2,002	(14.2)	1,933	(14.1)	(453)	—

(Note) Comprehensive income 9M FY2016: ¥801 million 9M FY2015: ¥(79) million

	Net Loss per Share	Diluted Net Income per Share
	Yen	Yen
Nine months ended February 28, 2017	(24.86)	—
Nine months ended February 29, 2016	(12.32)	—

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)
February 28, 2017	87,689	26,419	20.6
May 31, 2016	85,356	26,735	22.2

(Reference) Equity As of February 28, 2017: ¥18,072 million As of May 31, 2016: ¥18,958 million

2. DIVIDENDS

Record Date	Dividends per Share				
	End of First Quarter	End of Second Quarter	End of Third Quarter	Fiscal Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2015	—	0.00	—	12.00	12.00
FY2016	—	0.00	—	—	—
FY2016 (Forecast)	—	—	—	12.00	12.00

(Note) Revision to dividend forecast in the current quarter: None

3. FORECAST OF RESULTS FOR THE FISCAL YEAR ENDING MAY 31, 2017

Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.

	Net Sales		Operating Income		Ordinary Income		Profit attributable to owners of parent		Net Income per Shares	
	Yen	%	Yen	%	Yen	%	Yen	%	Yen	%
Full Fiscal Year	283,000	7.3	4,300	11.4	4,200	8.9	500	105.1	13.59	—

(Note) Revision to forecast of results in the current quarter: None

4. NOTES

- (1) Changes in important subsidiaries during the current period : None
(Changes in specified subsidiaries that caused changes in the scope of consolidation)
- (2) Application of the special accounting practices in the preparation of quarterly consolidated financial statements:
None
- (3) Changes of accounting principles, changes in accounting estimates and retrospective restatement
 - 1) Changes of accounting principles in line with revisions to accounting and other standards: None
 - 2) Changes of accounting principles other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Number of shares issued and outstanding (Common shares)
 - 1) The number of shares issued and outstanding as of the period-end (including treasury stock)
February 28, 2017: 41,690,300 shares May 31, 2016: 41,690,300 shares
 - 2) The number of treasury shares as of the period-end
February 28, 2017: 4,883,708 shares May 31, 2016: 4,893,138 shares
 - 3) Average number of shares for the period (Quarterly cumulative period)
Nine months ended February 28, 2017: 36,806,617 shares
Nine months ended February 29, 2016: 36,797,169 shares

(Note)

The Company has introduced “Board Benefit Trust (BBT)” and “Employment Stock Ownership Plan (J-ESOP)”. The Company’s shares in the BBT and J-ESOP, which are reported as treasury shares under Shareholders’ equity, are not counted toward the average number of shares outstanding for the period for the purpose of computing earnings per share.

Information regarding the implementation of quarterly review procedures

As of the date of disclosure of this report, a review of the quarterly financial statements is being carried out in accordance with the Financial Instruments and Exchange Act.

Cautionary statement and other explanatory notes

The aforementioned forecasts are based on assumptions and beliefs in light of information available to management at the time of document preparation and accordingly include certain unconfirmed factors. As a result, readers are advised that actual results may differ materially from forecasts for a variety of reasons. Please refer to “Qualitative Information Concerning Consolidated Forecasts” on page 5 with regard to the assumptions and other related matters concerning consolidated financial results forecasts for the fiscal year ending May 31, 2017.

Method to obtain supplementary materials for quarterly financial results

Supplementary materials for the quarterly financial results under review were posted on the Company’s website on April 7, 2017.

Consolidated Financial Report

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9M FY2016 Consolidated Financial Report

(June 1, 2016 - February 28, 2017)

1. Summary Concerning Quarterly Consolidated Business Results

(1) Information Concerning Consolidated Business Results

Consolidated Business Results

	(Millions of yen)		
	9M FY2015	9M FY2016	YoY
Net sales	194,430	205,480	5.7%
Operating income	2,002	1,877	(6.2)%
Ordinary income	1,933	1,798	(7.0)%
Loss attributable to owners of parent	(453)	(914)	-

Segment Information (Figures include intersegment sales)

Consolidated Net Sales by Segment

	(Millions of yen)		
	9M FY2015	9M FY2016	YoY
HR Solutions	192,151	203,090	5.7%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	161,345	170,350	5.6%
Expert Services (Temporary staffing)	98,270	105,767	7.6%
Insourcing (Contracting)	53,995	55,421	2.6%
HR Consulting, Education & Training, Others	4,623	4,584	(0.8)%
Global Sourcing (Overseas)	4,455	4,577	2.7%
Career Solutions (Placement/Recruiting, Outplacement)	12,132	10,785	(11.1)%
Outsourcing	18,672	21,953	17.6%
Life Solutions, Public Solutions	4,112	4,663	13.4%
Eliminations and Corporate	(1,833)	(2,272)	-
Total	194,430	205,480	5.7%

Consolidated Operating Income (Loss) by Segment

	(Millions of yen)		
	9M FY2015	9M FY2016	YoY
HR Solutions	6,058	6,068	0.2%
Expert Services (Temporary staffing), Insourcing (Contracting), Others	1,086	833	(23.3)%
Expert Services (Temporary staffing)	1,086	833	(23.3)%
Insourcing (Contracting)			
HR Consulting, Education & Training, Others			
Global Sourcing (Overseas)			
Career Solutions (Placement/Recruiting, Outplacement)	2,108	1,093	(48.1)%
Outsourcing	2,863	4,141	44.6%
Life Solutions, Public Solutions	(472)	(211)	-
Eliminations and Corporate	(3,583)	(3,979)	-
Total	2,002	1,877	(6.2)%

(2) Qualitative Information Concerning Consolidated Financial Position

Status of Assets, Liabilities and Net Assets

i. Assets

Total assets as of February 28, 2017 stood at ¥87,689 million, an increase of ¥2,332 million or 2.7%, compared with May 31, 2016. This was mainly attributable to an increase of ¥1,332 million in cash and deposits as well as an increase of ¥893 million in notes and accounts receivable - trade.

ii. Liabilities

Total liabilities as of February 28, 2017 stood at ¥61,270 million, an increase of ¥2,648 million or 4.5%, compared with May 31, 2016. The principal increases were ¥4,294 million in short-term loans payable and ¥2,153 million in long-term loans payable. They were partly offset by decreases of ¥1,986 million in accounts payable - trade, ¥1,001 million in provision for bonuses and ¥845 million in income taxes payable.

iii. Net Assets

Net assets as of February 28, 2017 stood at ¥26,419 million, a decrease of ¥316 million or 1.2%, compared with May 31, 2016. This was mainly due to the net loss attributable to owners of parent of ¥914 million, an increase of ¥569 million in non-controlling interests, the payment of cash dividends totaling ¥447 million, increases of ¥324 million in remeasurements of defined benefit plans and an increase of ¥137 million in valuation difference on available-for-sale securities.

(3) Qualitative Information Concerning Consolidated Forecasts

As for full FY2016 forecasts, net sales is essentially in line with initial plans. Regarding profits, uncertainties such as Outplacement business environment remain. However, based on recent performance trends, there is no change to the consolidated full-year forecasts of business results previously announced on July 15, 2016.

2. Matters Relating to Summary Information (Notes)

(1) Additional Information

(Adoption of the Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from Q1 FY2016, the Company has adopted "Implementation Guidance on Recoverability of Deferred Tax Assets (The Accounting Standards Board of Japan Guidance No. 26 of March 28, 2016)".

(Company and other purchases through the acquisition of shares and business transfer)

As of March 24, 2017, a consolidated subsidiary Pasona Inc. had executed agreements to acquire shares of NTT (Nippon Telegraph and Telephone Corporation) Group companies, NTT Human Solutions Corporation (hereafter: NTT-HS) and TelWel Job Support Corporation (hereafter: TelWel Job support). They will be converted into subsidiaries of Pasona Inc. In addition, business transfer agreements were concluded between NTT-ME Service Corporation, NTT Solco & Hokkaido Telemart corporation, TelWel West Nippon Corporation., DOCOMO Data Com, Inc. and Pasona Inc. to acquire their temporary staffing business.

i. Name, business activities and size of company to be purchased

a. NTT-HS

(Fiscal year ended March 31, 2016)

Company name	NTT Human Solutions Corporation
Business activities	Temporary staffing, placement and recruiting, outsourcing, etc.
Net assets	¥1,043 million
Total assets	¥3,562 million
Net sales	¥6,938 million
Operating income	¥110 million
Ordinary income	¥112 million
Net income	¥57 million
Seller of NTT-HS	Nippon Telegraph and Telephone Corporation
Percentage of voting rights acquired	100% (The Pasona Group total)

Note: Above figures based on financial statements of NTT-HS for the fiscal year ended March 31, 2016 are unaudited by accounting auditors of the Company.

b. TelWel Job support

(Fiscal year ended March 31, 2016)

Company name	TelWel Job Support Corporation
Business activities	Temporary staffing, etc.
Net assets	¥275 million
Total assets	¥1,355 million
Net sales	¥7,717 million
Operating income	¥27 million
Ordinary income	¥27 million
Net income	¥12 million
Seller of TelWel Job support	TelWel East Japan Corporation.
Percentage of voting rights acquired	100% (The Pasona Group total)

Note: Above figures based on financial statements of TelWel Job support for the fiscal year ended March 31, 2016 are unaudited by accounting auditors of the Company.

ii. Name of the counterparties of temporary staffing business acquisition

- a. NTT-ME Service Corporation
- b. NTT Solco & Hokkaido Telemart corporation
- c. TelWel West Nippon Corporation.
- d. DOCOMO Data Com, Inc. (including BPO business, excluding system engineer staffing)

iii. Scheduled date of transfer

August 1, 2017 (planned)

iv. Acquisition amount

It will be finalized up to the scheduled date of transfer.

3. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of May 31, 2016	As of February 28, 2017
ASSETS		
Current assets		
Cash and deposits	16,775	18,108
Notes and accounts receivable - trade	31,987	32,881
Inventories	1,074	1,497
Other	6,404	6,696
Allowance for doubtful accounts	(55)	(61)
Total current assets	56,187	59,121
Non-current assets		
Property, plant and equipment	8,722	8,241
Intangible assets		
Goodwill	4,483	3,986
Other	5,378	5,203
Total intangible assets	9,861	9,189
Investments and other assets		
Other	10,636	11,186
Allowance for doubtful accounts	(51)	(50)
Total investments and other assets	10,584	11,135
Total non-current assets	29,169	28,567
Total assets	85,356	87,689

	As of May 31, 2016	As of February 28, 2017
LIABILITIES		
Current liabilities		
Accounts payable - trade	4,974	2,987
Short-term loans payable	4,861	9,156
Accrued expenses	13,010	13,260
Income taxes payable	1,603	758
Provision for bonuses	3,214	2,212
Provision for directors' bonuses	25	22
Asset retirement obligations	4	17
Other	17,500	17,267
Total current liabilities	45,195	45,682
Non-current liabilities		
Long-term loans payable	8,807	10,960
Net defined benefit liability	1,705	1,839
Provision for board benefit trust	-	18
Provision for stocks payment	-	22
Asset retirement obligations	938	949
Other	1,975	1,795
Total non-current liabilities	13,426	15,587
Total liabilities	58,621	61,270
NET ASSETS		
Shareholders' equity		
Capital stock	5,000	5,000
Capital surplus	5,023	5,015
Retained earnings	13,172	11,808
Treasury shares	(4,016)	(4,008)
Total shareholders' equity	19,179	17,814
Other comprehensive income		
Valuation difference on available-for-sale securities	97	234
Foreign currency translation adjustment	104	122
Remeasurements of defined benefit plans	(422)	(98)
Total other comprehensive income	(221)	258
Non-controlling interests	7,776	8,346
Total net assets	26,735	26,419
Total liabilities and net assets	85,356	87,689

(2) Quarterly Consolidated Statements of Income

(Millions of yen)

	9M FY2015	9M FY2016
Net sales	194,430	205,480
Cost of sales	155,953	164,950
Gross profit	38,477	40,530
Selling, general and administrative expenses	36,474	38,652
Operating income	2,002	1,877
Non-operating income		
Interest income	34	25
Subsidy	56	44
Real estate rent	33	30
Other	114	139
Total non-operating income	238	239
Non-operating expenses		
Interest expenses	125	115
Commitment fee	37	38
Share of loss of entities accounted for using equity method	62	68
Other	81	95
Total non-operating expenses	307	318
Ordinary income	1,933	1,798
Extraordinary income		
Gain on sales of non-current assets	5	-
Gain on sales of investment securities	63	11
Gain on sales of shares of subsidiaries and associates	-	19
Gain on donation of non-current assets	17	-
Total extraordinary income	86	31
Extraordinary loss		
Loss on sales and retirement of non-current assets	35	97
Impairment loss	37	107
Loss on valuation of investment securities	10	-
Loss on sales of shares of subsidiaries and associates	9	-
Total extraordinary loss	92	204
Income before income taxes	1,926	1,625
Income taxes - current	1,477	1,664
Income taxes - deferred	143	(253)
Income taxes	1,620	1,410
Profit	306	214
Profit attributable to non-controlling interests	759	1,129
Loss attributable to owners of parent	(453)	(914)

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen)

	9M FY2015	9M FY2016
Profit	306	214
Other comprehensive income		
Valuation difference on available-for-sale securities	(67)	248
Foreign currency translation adjustment	(79)	15
Remeasurements of defined benefit plans	(237)	324
Share of other comprehensive income of entities accounted for using equity method	(2)	(1)
Total other comprehensive income	(385)	586
Comprehensive income	(79)	801
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(814)	(435)
Comprehensive income attributable to non-controlling interests	735	1,236

(4) Notes to Going Concern Assumption

Not applicable

(5) Notes on Significant Changes in the Amount of Shareholders' Equity

Not applicable

(6) Segment Information

9M FY2015

Information regarding net sales and segment income (loss) by reporting segment

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment (Note 3)	Figures in consolidated statements of income (Note 4)
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing					
Net sales								
(1) Sales to outside Customers	160,521	12,111	18,328	190,961	3,468	194,430	-	194,430
(2) Intersegment sales and transfers	824	21	343	1,189	643	1,833	(1,833)	-
Total	161,345	12,132	18,672	192,151	4,112	196,264	(1,833)	194,430
Operating income (loss)	1,086	2,108	2,863	6,058	(472)	5,586	(3,583)	2,002

Notes:

1. The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
2. The “Others” segment is not included in reporting segments, and includes Life Solutions as well as Public Solutions.
3. Adjustments are as follows: Operating income of ¥(3,583) million includes the elimination of intersegment transactions of ¥(4) million and corporate expenses of ¥3,579 million. Corporate expenses, primarily consist of Group management costs relating to the Company, are not allocated to reporting segments.
4. Segment income is adjusted with operating income under consolidated statements of income.

9M FY2016

i. Information regarding net sales and segment income (loss) by reporting segment

(Millions of yen)

	Reporting segments				Others (Note 2)	Total	Adjustment (Note 3)	Figures in consolidated statements of income (Note 4)
	HR Solutions			Subtotal				
	Expert Services (Temporary staffing), Insourcing (Contracting), Others (Note 1)	Career Solutions (Placement/ Recruiting, Outplacement)	Outsourcing					
Net sales								
(1) Sales to outside Customers	169,321	10,761	21,441	201,524	3,955	205,480	-	205,480
(2) Intersegment sales and transfers	1,029	23	512	1,565	707	2,272	(2,272)	-
Total	170,350	10,785	21,953	203,090	4,663	207,753	(2,272)	205,480
Operating income (loss)	833	1,093	4,141	6,068	(211)	5,857	(3,979)	1,877

Notes:

1. The “Expert Services (Temporary staffing), Insourcing (Contracting), Others” segment includes each of the businesses of Expert Services (Temporary staffing), Insourcing (Contracting), HR Consulting/Education & Training/Others and Global Sourcing (Overseas).
2. The “Others” segment is not included in reporting segments, and includes Life Solutions as well as Public Solutions.
3. Adjustments are as follows: Operating income of ¥(3,979) million includes the elimination of intersegment transactions of ¥8 million and corporate expenses of ¥3,987 million. Corporate expenses, primarily consist of costs for Group management and business incubation relating to the Company, are not allocated to reporting segments.
4. Segment income is adjusted with operating income under consolidated statements of income.

ii. Information regarding impairment loss of non-current assets or goodwill by reporting segment

An impairment loss of non-current assets was recorded in “Others” segment. It amounted to ¥107 million for 9M FY2016.

(7) Important Subsequent Events

Not applicable